

Miserly hotel owner convicted of income tax evasion

From Associated Press reports
NEW YORK — Leona Helmsley, the persnickety hotel queen quoted as saying "only the little people pay taxes," was convicted Wednesday of evading \$1.2 million in income taxes by charging personal expenses to her business empire.

The federal jury acquitted Mrs. Helmsley, 69, of the most serious charge against her — conspiring to extort payoffs from vendors.

Pictured as a regal perfectionist in ads for Helmsley luxury hotels, Mrs. Helmsley was portrayed in court as an abusive, penny-pinching tyrant — part of a defense strategy of arguing

she was the victim of spiteful employees.

In opening arguments, her own lawyer labeled her "a tough bitch."

Mrs. Helmsley shook her head while listening to the litany of guilty verdicts on 33 of 41 counts. Former aides Frank Turco and Joseph Licari were convicted of assisting in the tax-evasion scheme.

She walked past hundreds of reporters, photographers and bystanders on the courthouse steps, got into a limousine and departed without comment.

"Of course, we'll appeal," said

Joseph Benfante, lawyer for Licari.

Mrs. Helmsley remains free pending sentencing Nov. 14. Each of the 33 counts carries three to five years in prison. She also faces fines of up to \$8 million.

The jury found Mrs. Helmsley evaded federal taxes from 1983 through 1985, most of it by billing \$3.1 million in expenses from the Helmsleys' Greenwich, Conn., mansion, Dunnellen Hall, to their hotel and real estate business.

Among the expenses were more than \$1 million for a pool enclosure with a marble dance floor; jade fig-

ures worth \$500,000; a \$130,000 indoor-outdoor sound system similar to one Helmsley had admired at Disney World, and thousands of dollars in landscaping.

"Today's verdicts should widely serve as a reminder that no one, regardless of how wealthy or how well-insulated by underlings, under the law is free to flaunt the tax laws," said U.S. Attorney Benito Romano. He said it was too early to say what sentence prosecutors would seek.

"We gave a very fair verdict. It was very hard," said David Samuel, a member of the jury that deliberated

for five days.

Mrs. Helmsley and her husband, Harry, still face prosecution on charges of evading state taxes; no trial date has been set.

Helmsley, 80, heads a \$5 billion empire that includes 27 hotels — the Helmsley hotels in New York City and the Cleveland-based Harley chain. He was indicted with his wife in 1988 but was found mentally incompetent to stand trial.

In addition to expenses at Dunnellen Hall, prosecutors alleged that \$320,172 in Mrs. Helmsley's personal purchases, including thousands

of dollars in designer clothing, were charged to the Park Lane Hotel in New York.

Another item was a \$45,000 silver clock in the shape of the Helmsley Building, a birthday present to Harry Helmsley from his wife.

His wife's image took a beating at the trial. Already described as a finicky "queen" in Helmsley ads, she was depicted as arrogant and mean-spirited.

Her former housekeeper testified that Mrs. Helmsley once told her, "We don't pay taxes. Only the little people pay taxes."

Sales

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That was not a major part of the store's business, but the loss of it may cause an inconvenience to students, Tufts said.

The Bull's Head Bookshop, a part of Student Stores, also sells assorted greeting cards and posters, but is evaluating its stock, Tufts said. The bookshop is allowed to sell posters that have an educational value.

"We're sorting through what we have to make sure that it fits within the guidelines," he said. "There is a fine line between a naked creature you put on your wall and a piece of art with an educational value."

Morton said he thought Fox's ruling was a fair one. "Right now I'm satisfied."

Tufts said a drop in sales, the closing of the Pit Stop snack bar and the need for capital could limit the amount of money Student Stores is able to contribute to a University scholarship fund. The funds went toward undergraduate scholarships, graduate fellowships and professional schools, he said.

"It's possible that in the short term there could be a temporary reduction with an eye toward strengthening the store in the long run."

Maaikie Pike, assistant manager of University Mall's Hallmark store, said Fox's ruling would have little, if any, effect on Hallmark's business. "I don't even see them as our competition. Most people would have come to us anyway, for the Hallmark name."

Lorraine Young, assistant manager of Foister's Image Center, said the ruling would have a positive effect on her photo processing operation, but other businesses may benefit more. "I think it will have some positive influ-

ence for us, but our location may be a problem. We'll see a slight rise overall, but people may be more apt to go to the one-hour photo processing place at the mall."

Student Stores will still be able to sell T-shirts, sweatshirts, school supplies, computers and merchandise bearing the UNC logo, Tufts said.

Chuck Helpingstine, owner of Johnny T-Shirt, a Chapel Hill store that specializes in UNC clothing, has said that the restrictions on what Student Stores can sell do not go far enough.

"The best thing that supports the case is the law itself. But the law has been reinterpreted by the state attorney general's office and the media. If people would just read the law, I'd rest my case right there."

Fox has said he ruled that Student Stores could sell T-shirts because the Umstead Act allows UNC-system campus stores to sell educational supplies, gift items and personal-use items. "UNC is allowed to sell T-shirts because they fit under the statute as gift items."

Economists say recession unlikely

From Associated Press reports
WASHINGTON — Americans' personal incomes rose a brisk 0.7 percent in July while consumer spending climbed at the fastest rate since April, the government said Wednesday in a report providing more good news about the country's economic prospects.

The Commerce Department said the rise in incomes, fueled by rapid growth in wages and salaries, was the biggest monthly gain since a 1 percent increase in March.

The department said that consumer spending also posted a 0.7 percent increase last month, the fastest advance since a 1.2 percent rise in April.

The government also made significant revisions to previous months, showing that income growth and consumer spending were not as sluggish as previously believed.

Private economists said the combination of the strong July increases

and the upward revisions in earlier months showed that the current economic expansion, which this month became the second longest in U.S. history, was picking up steam.

Just a month ago, there were widespread fears that just the reverse was occurring, with many analysts predicting, on the basis of weak reports, that the country was in danger of toppling into a recession.

"The economy was not nearly as weak in the spring," said Bruce Steinberg, senior economist at the New York brokerage firm of Merrill Lynch. "The image of an economy on the verge of a recession has been changed by these revisions."

The government on Tuesday significantly revised upward its estimate of total economic growth, putting the increase in the gross national product from April through June at a healthy 2.7 percent annual rate instead of the anemic 1.7 percent rate reported a month ago.

Most of the upward revision in GNP growth came from a doubling of the estimate of how much consumers spent during the April-June quarter.

Wednesday's report showed that consumer spending was even stronger in July, primarily because of a surge in sales of autos spurred by incentive sales programs aimed at reducing a high inventory of unsold cars.

With car sales remaining strong in August, analysts looked for total consumer spending this quarter to surpass the second-quarter pace. Since consumer spending accounts for two-thirds of total economic activity, that would be good news for the economy.

Steinberg cautioned, however, that the steep discounting to reduce car inventories and buyer concerns about announced price hikes on the 1990 models would very likely translate into lackluster car sales in the final

three months of the year and depress consumer spending during that quarter.

But Sandra Shaber, an economist with the Futures Group, a Washington consulting firm, said that she expected other areas, such as sales of clothing and consumer electronics and more travel spending, to take up the slack from an expected drop in car sales.

"We have had some startling revisions in the economic data which have chased away the recession fears and put a whole different look on the strength of the marketplace," she said. "Consumer spending was twice as strong as we earlier thought and that strength seems to be continuing."

The Bush administration is predicting that the economy should grow this year by a healthy 2.9 percent, a rate that private economists are now agreeing is well within reach.

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